

## **BILL ANALYSIS**

Senate Research Center  
85R7127 TJB-F

S.B. 624  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Interested parties observe that certain aspects of state taxation are unfair and overly burdensome to Texas taxpayers. This lack of fairness has prompted the Council of State Taxation, which monitors and reviews state tax practices, to give Texas a C rating as compared to other states. One issue that contributes to this score includes the discrepancy between the interest on tax underpayments and overpayments.

Currently, if a taxpayer underpays their taxes, where an amount is still owed by the taxpayer to the Texas comptroller of public accounts (comptroller), then that individual must pay interest on the amount due. As of 2017, the interest rate for tax underpayments equals 4.75 percent. If, however, a taxpayer overpays their taxes, and the comptroller must refund the overpayment, then the individual receives an interest payment with their refund. Under current law, and as of 2017, the state only pays interest on these refunds for overpayments at the rate of 1.004 percent.

Interested parties observe that the rate at which taxpayers earn interest on overpayments is much lower than the interest rate the state charges taxpayers on underpayments. This inequity requires that taxpayers shoulder the burden of paying a higher interest rate to the state on underpayments, and receiving lesser interest payments from the state on refunds owed. Interested parties observe that there is no reason for the difference between these rates.

S.B. 624 equalizes the interest rates on tax refunds so that interest on overpayments equals that charged for underpayments. The change proposed by S.B. 624 establishes fairness and equality in the state's taxing system, ensuring that the interest paid by the comptroller for tax refunds equals that paid by taxpayer for back taxes due.

As proposed, S.B. 624 amends current law relating to the rate of interest on certain tax refunds.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 111.064(a), (c), and (c-1), Tax Code, as follows:

- (a) Provides that, except as otherwise provided by this section (Interest on Refund or Credit), for a refund under this chapter (Collection Procedures) granted for a report period due on or after September 1, 2019, interest is at the rate set in Section 111.060 (Interest on Delinquent Tax) and accrues on the amount found to be erroneously paid for a certain period, rather than providing that, except as otherwise provided by this section, for a refund under this chapter, interest is at the rate that is the lesser of the annual rate of interest earned on deposits in the state treasury during December of the previous calendar year, as determined by the Texas comptroller of public accounts (comptroller) or the rate set in Section 111.060, and accrues in the amount found to be erroneously paid for a certain period.

(c) Provides that a refund under this chapter granted for a report period due on or after January 1, 2000, but before September 1, 2019, rather than providing that for a refund claimed before September 1, 2005, and granted for a report period due on or after January 1, 2000, the rate of interest is the rate set in Section 111.060, accrues interest as follows:

(1) if the refund is claimed on or before September 1, 2005, at the rate set in Section 111.060; and

(2) if the refund is claimed after September 1, 2005, at the rate that is the lesser of the rate set in Section 111.060 or the annual rate of interest earned on deposits in the state treasury during December of the previous calendar year, as determined by the comptroller.

(c-1) Provides that a refund under this chapter granted, rather than a refund without regard to the date claimed, for a report period due before January 1, 2000, does not accrue interest.

SECTION 2. Effective date: September 1, 2017.